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ABSTRACT

Data from national administrative and telephone surveys of nationally representative samples of unemployment insurance (UI) recipients who began collecting benefits in 1998 were analyzed to identify changes in the UI claimant population over the past 10 years and determine whether the time has come to retool the nation's reemployment services. The analysis established that, compared to their counterparts a decade earlier, 1998 UI recipients took longer to find a job, were less likely to become reemployed, and searched for work at lower rates. These changes were taken as evidence that the UI claimant population now contains a disproportionate number of workers with significant labor market problems including the need for technical skills, higher education levels and more skill development before reemployment. Despite the fact that UI recipients in 1998 were having difficulty finding jobs, they were less likely than recipients in 1988 to seek reemployment services from the Job Service or a one-stop career center shortly after beginning their UI claim. This decline was attributed to a combination of factors, the most important being the implementation of Worker Profiling and Reemployment Services systems in all states. The following ways of helping unemployed people return to work were suggested: (1) strengthen job search requirements for UI recipients; (2) increase revenues devoted to reemployment services; and (3) improve targeting of service delivery. (MN)

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Mathematica Policy Research, Inc.

Issue Brief

The Changing UI Claimant Population: Is It Time to Retool Reemployment Services?

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TRENDS IN UNEMPLOYMENT INSURANCE

The Changing UI Claimant Population: Is It Time to Retool Reemployment Services?

by Karen Needels, Walter Corson, and Walter Nicholson

This brief is based on Mathematica's study of unemployment insurance (UI) exhaustees in the late 1990s. The study was based on administrative and telephone survey data collected from nationally representative samples of UI exhaustees and nonexhaustees who began collecting benefits in 1998. The findings were compared to similar findings for UI recipients in the late 1980s to assess how changes in the labor market affected those who received UI.

The Shifting Labor Market

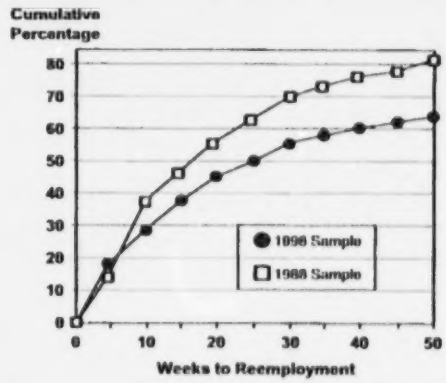
In many respects, the labor market of the late 1990s was one of the strongest of the postwar era. The unemployment rate hovered around four to five percent, rates of job displacement declined, and real wages rose. Given this environment, the labor market outcomes for UI recipients in 1998 were surprisingly poor. Compared to their counterparts a decade earlier, 1998 recipients took longer to find a job, were less likely to become reemployed, and searched for work at lower rates. Many were clearly left behind in the "high-pressure" labor market of the late 1990s.

There are two possible reasons for this situation:

- The strong labor market permitted most workers to get another job and avoid collecting UI, so the pool of UI recipients included a disproportionate number of workers with significant labor market problems.
- The overall labor market changed, so recipients faced new difficulties or issues.

This study suggests that important changes in the labor market partially explain this result.

Percentage Reemployed



What a Difference a Decade Makes

Trends in the labor market can affect UI recipients and the services they need to become reemployed. For example, a decline in manufacturing and an increase in service-sector jobs may reduce the likelihood that recipients are job-attached, increasing their need for reemployment services. Similarly, growing demand for workers with technical skills and high educational levels may lower the incidence and duration of unemployment for these individuals —and may increase the proportion of individuals with low skill and education levels in the recipient population. In turn, this change may increase the need for skill development before reemployment.

Between 1988 and 1998, many changes occurred in the size and composition of the labor force and the unemployed population. Overall, the labor force grew 13 percent, while the number of unemployed workers declined 7 percent. Whites declined as proportions of both the labor force and the unemployed population, while the proportions of Hispanics grew considerably. Overall, the population also aged, as the baby boom generation grew older.

During this period, the nature of the labor market shifted as well. Smaller percentages of jobs and the unemployed were in manufacturing, and larger

percentages were in the service sector. Job tenure also increased, raising the possibility that UI recipients could be at greater risk of large earnings reductions if they failed to return to the same jobs after their UI spells.

CHANGES IN THE SIZE AND COMPOSITION OF THE LABOR FORCE

Demographic and Labor Market Characteristics

	Labor Force		Unemployed	
	1988	1998	1988	1998
Gender				
Male	55	54	55	53
Female	45	46	46	48
Race/Ethnicity				
White	86	81	74	72
Black	11	12	23	23
Hispanic	7	10	11	17
Age				
16 to 34	48	40	67	60
35 to 54	40	48	27	33
55 or older	13	13	7	8
In Manufacturing	19	15	17	13
In Service Sector	32	36	19	25
Unemployed 5 or More Weeks	—	—	54	58
Average Weeks Unemployed	—	—	14	15

Reemployment Services Not in Demand

Despite the fact that UI recipients in 1998 were having difficulty finding jobs, they were less likely than recipients in 1988 to seek reemployment services from the Job Service or a one-stop career center shortly after beginning their UI claim. Their use of these services—which include referrals to job openings, training in job search techniques, help with resumes, provision of information about jobs in demand, and occupational aptitude and interest testing—declined. The decline was probably caused by a combination of factors, the most important being the implementation in all states of Worker Profiling and Reemployment Services (WPRS) systems. These systems direct services to recipients at high risk of exhausting benefits; as a result, they may have concentrated services on a smaller group than in the past.

Other factors that may have influenced the decline include a reduction in the capacity of the Job Service to provide services, recipients' reactions to a strong labor market, and introduction of remote UI initial claims processing in some states.

COMPARISONS OF UI RECIPIENTS IN 1988 AND 1998

Labor Market and Job Search Characteristics

	1988	1998
Job Tenure		
0 to 3 years	53	48
3 years or more	47	52
Union Member	29	22
In Manufacturing Industry	40	33
In Service Industry	15	22
Went to Job Service/One Stop at UI Start		
No recall expectations	65	48
Expected recall, no date	54	37
Expected recall, definite date	33	24
Total	54	41
Searched for Work		
At start of UI	67	63
After benefit exhaustion	74	55

It is important to continue the search for ways to help unemployed people return to work. The study suggests three ways to help:

- Strengthening job search requirements. The proportion of claimants who were actively seeking work dropped between 1988 and 1998. Increased attention to enforcing job search requirements might yield improvements in outcomes.
- Increasing resources devoted to reemployment services. Over the past 10 years, real spending declined. Although funding for dislocated worker training and other services offset this decline, increasing funding for reemployment services might have payoffs.
- Improving targeting of service delivery. WPRS systems are the most recent example of focusing reemployment services on UI recipients who would benefit the most. This study showed that profiling is targeting expected exhaustees and dislocated workers. Despite the fact that low-skilled recipients have poor labor market outcomes, they do not participate in services more than higher-skilled workers. Improving the measures of low skill that the system uses in targeting services might add to the system's effectiveness.

For questions about this study, conducted for the U.S. Department of Labor, contact Karen Needels at (609) 275-2291. For additional copies of this issue brief, contact Publications at (609) 275-2350 or visit our web site. Mathematica® is a registered trademark of Mathematica Policy Research, Inc.

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